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ABSTRACT

This paper outlines school finance issues that have emerged due to litigation on the constitutionality of school funding at the state level. Such funding varies from state to state, ranging from 8 percent in New Hampshire to 74 percent in New Mexico; per-child expenditures range from $1,500 to $15,000. Beginning in the 1970s, poor school districts and some advocates for minority and disadvantaged children challenged the state-funding formula in the courts. These court cases have focused on the constitutional provisions on the ground of equity or adequacy. Equity is generally defined as a relatively equal per-pupil expenditure across the school districts in the state. Recent court cases have begun to address the issue of an "adequate" education for all students. States must shift their focus from monitoring students' inputs (student-to-teacher ratios) and focus on the outputs (graduation rates and reading levels). States must focus on the definition of what an adequate education is and what amount of funding is needed for all students to have a possibility of obtaining it. The paper describes the six different funding methods used to achieve an adequate education: flat grants, foundation programs, guaranteed tax base programs, percentage equalization programs, full state funding, and pupil weights. (DFR)

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Financing America's Public Schools
Education Policy Studies Division
Issue Brief September 1, 1998
Dane Linn

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This article is an Issue Brief, which outlines the school finance issues that have emerged due to litigation in the courts on the constitutionality of school funding at the state level. The funding of education at the state level is a complex picture. State funding varies from state to state ranging from the state funding 8% as in New Hampshire to 74% in New Mexico. Also the per child expenditures range from $1500 to $15,000.

Beginning in the 1970's poor school districts and some advocates for minority and disadvantaged children have challenged the state funding formula in the courts. These court cases focus on the constitutional provisions on the ground of equity or adequacy. In eighteen of thirty-six cases, state courts ruled the state funding formulas to be unconstitutional. These rulings are based on the premise that every child is entitled to an adequate education to be successful in work and as citizens. Due to funding differences when comparing rich school districts to poorer ones, it is near to impossible for the poorer school districts to provide an adequate education. When you add in the factor that disadvantaged and special need children require more funding the gap between the rich and poor school districts widen. In three states, Arizona, Ohio and Texas, the inequities in facilities were grounds for the school funding system to be declared unconstitutional.

Equity is generally referred to as a relative equal per pupil expenditure across the school districts in the state. Courts ruling on equity issues mostly look to some form of supplemental state funding to correct the funding difference between districts. Most

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states have gone to a minimum spending level per child and then use state funds to subsidize local efforts. The most common program is a foundation program. This type of subsidized effort is used in about forty states.

Recent court cases have begun to address the issue of an "adequate" education to all students. States must shift their focus from monitoring students inputs (student to teacher ratios) and focus on the outputs (graduation rates and reading levels). States must focus on the definition of what an adequate education is and what amount of funding is needed for all students to have a possibility of obtaining it.

To achieve a degree of an adequate education the states use six different funding methods. These methods are:

1. Flat Grants-A state divides the available funds by a unit of measure and then distributes an equal amount of funding per unit to school districts.
2. Foundation Programs-Used in about forty states. Combines state and local funds to provide a level of funding for an adequate education.
3. Guaranteed Tax Base Programs-States subsidize locally generated revenue through a formula, which accounts for the local effort.
4. Percentage Equalization Programs-Provides local control and taxpayer equity and it is based on a ratio that determines the state-local funding partnership.
5. Full State Funding-State pays for all the education needs.
6. Pupil Weights-The cost of providing services is based on per-pupil expenditure.

The states must select the best method to determine the level of funding to be used. The three methods are; available state revenues system, education expenditures system and cost model approach.

To reduce the burden on local districts, two have recently redone their methods of funding. These states are Kentucky and Michigan. Kentucky, as a result of a court ruling enacted the Kentucky Education Reform Act of 1990 (KERA) with the following components.

- A state adjusted based guarantee or a minimum foundation program
- Tier I funding allow local districts to generate funds not to exceed 15% of the guaranteed base and matched by the state.
- Tier II funds allow districts to generate up to 30% of the guaranteed base but are not matched by the state.

Michigan on the other hand did a major overhaul of its tax structure. The local property tax was eliminated as a funding source. The sales tax was increased by 2%, and authorized a local levy on property (non-homesteaded). With these changes, property taxes now account for about 1/3 of school funding versus 2/3 prior to the overhaul.

School finance is a very complex with numerous factors to consider including issues of equity, local control and social equity. With thirty states already having their systems taken to court and with expenditure differences remaining, further litigation is a very possible response. With the academic standards becoming more rigorous states need to realize that these very standards could or may become the defined content of an adequate education. State assessments could or will become the measurement instrument to determine if a student received an adequate education.

States need to prepare for continued challenges dealing with issues of equity or adequacy of financial resources. As the curriculum is assessed using instruments which test the standards mandated by the state and child fail it, questions of equity will continue to rise. Districts should realize that funding is very important but it is only one piece in the equity puzzle. How funds are spent and what they are spent on should also be considered.